

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 21, 1977

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Thursday, July 21, 1977.

The NID Cable is for the purpose of informing senior US officials.

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PERU: General Strike Effective

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[] The Peruvian government's deliberations on economic policy took on a greater note of urgency this week when a leftist-led general strike brought commercial life in Lima to a standstill. The left has orchestrated violent disturbances throughout the country in recent weeks and placed the government under additional pressure to modify substantially the severe austerity program announced last month. The cabinet's failure to agree on what changes are needed, however, casts doubt on the government's ability to cope with the situation.

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[] The strike on Tuesday, organized by the Communist-supported General Confederation of Peruvian Workers, closed most shops and factories and completely disrupted transportation in the capital. It apparently was only partially effective in the provinces.

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[] Troops and tanks were patrolling the streets of Lima. Six lives were lost in the industrial suburbs, where demonstrators clashed with marines and security forces. The government also reportedly ordered the arrest of scores of labor leaders.

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[] The success of the strike undoubtedly surprised government leaders, who questioned the left's ability to mount such an effective walkout. The strike also was supported by the Christian National Workers Confederation, the ultra-left National Agrarian Confederation, and even the government-financed labor organization. It was the first time that a strike had been supported by such ideologically divergent labor organizations, some of which have been in constant conflict.

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[] Even before the general strike, the government had been faced with leftist-instigated student and worker protests over food and fuel price increases that had spread to 15 urban centers and resulted in 20 deaths. The cabinet is now considering new economic guidelines that were submitted on Tuesday by Finance Minister Saenz. Although no announcement has been made, the new proposals reportedly include a rollback of petroleum, transportation, and food prices and a relaxation of restrictions on public spending.

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[] //President Morales Bermudez now finds himself caught between the exigencies of the present situation and Peru's need for economic stabilization measures to qualify for essential foreign balance-of-payments credits. []

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[] The disagreement promises to block any early solution to the problem. Should the civil unrest continue, it could threaten not only Morales Bermudez' position, but also his commitment to return Peru to civilian rule in 1980. []

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ISRAEL: Begin Plan Criticized

25X1 [] Members of the government coalition and opposition parties have sharply criticized the Middle East peace plan Israeli Prime Minister Begin presented to President Carter this week. The critics spoke out during a meeting earlier this week of the defense and foreign affairs committee of the Israeli parliament.

25X1 [] The Israeli press has reported extensively on the committee's discussion, which was supposed to be kept confidential. The leaks may provoke a strong reaction from Begin or Foreign Minister Dayan, both of whom are likely to feel embarrassed and undercut by such public criticism during the Prime Minister's talks in Washington.

25X1 [] Committee members reportedly resented Begin's failure to discuss his plan in detail and to solicit their reaction and suggestions before his departure for the US. Some committee members, probably conservatives from Begin's Likud party and the hawkish National Religious Party, criticized the document for stating that Israel would be prepared to withdraw from portions of the Sinai and Golan; they believed Begin should have expressed only a general readiness for territorial compromise without going into any detail.

25X1 [] Others felt that willingness to pull back in the Sinai should have been linked directly to the concessions Israel hopes to obtain in talks with the Egyptians.

25X1 [] Other representatives, presumably from the Labor Party and the Democratic Movement for Change, faulted the plan for not expressing a willingness to withdraw from at least some parts of the occupied West Bank and for omitting any mention of the Palestinian problem. These members felt that such omissions would make it impossible to reconvene the Geneva peace talks.

BRIEFS

BRAZIL:

25X1 [] Leading Brazilian newspapers are speculating that the government may cancel its remaining military accords with the US later this week. The stories are apparently based on a leaked portion of a study that the Armed Forces General Staff prepared for President Geisel on the effects of Brazil's renunciation of US military assistance earlier this year.

25X1 [] It seems likely that the study presents several options, one of which may involve denouncing all remaining military accords. These accords govern the activities of the Brazilian-US military commission and a separate navy commission that involve a total of 47 US personnel.

25X1 [] Various sectors of the Brazilian military continue to be irritated with the US over the human rights issue, and some Brazilians have complained that lower ranking US attaches are being posted to Brazil. On the other hand, the government has recently been publicizing the cordial exchange of letters between Presidents Carter and Geisel in an apparent effort to demonstrate that relations are improving. []

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